
OLR Bill Analysis

SB 57

AN ACT CONCERNING THE DIRECT DEPOSIT OF WAGES.

SUMMARY:

This bill expands the types of deposits that automatically exempt up to \$1,000 from bank executions against a judgment debtor's account to include electronic direct deposits that are readily identifiable as wages. Current law requires this automatic exemption if, within 30 days before the execution order, the judgment debtor's account received electronic direct deposits that are readily identifiable as federal veteran's benefits, Social Security benefits, supplemental security income benefits, or child support payments under the Social Security Act. The bill extends the same exemption, including its notice requirements and limitations, to accounts that received electronic direct deposits readily identifiable as wages within 30 days before the execution order.

The bill also requires an employer, its agent, or representative paying an employee's wages by direct deposit into any bank, Connecticut credit union, or federal credit union, to electronically identify the deposit as wages.

EFFECTIVE DATE: October 1, 2014

EXEMPTION NOTICE REQUIREMENTS AND LIMITATIONS

Under the bill, an exemption triggered by an electronic direct deposit of wages is subject to the same notice requirements and limits as the other automatic exemptions currently allowed by law. These include (1) allowing a bank to notify the judgment creditor that funds were left in the debtor's account, (2) requiring a bank to notify the judgment debtor and any other secured parties if any funds are removed, and (3) allowing a bank to reduce the account balance to less than \$1,000 if it is required to do so by any other provision of law or a

court order.

BACKGROUND

Other Bank Execution Exemptions

The law allows creditors to seek an execution order on a bank to remove funds from a debtor's bank account, although it exempts from the execution the lesser of (1) 75% of a debtor's disposable weekly earnings or (2) \$348 of weekly wages. To receive this exemption, the debtor must file an exemption claim with his or her bank after receiving the execution notice and have the claim determined in a Superior Court hearing. The potentially exempted funds are frozen until the court rules on the exemption.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 11 Nay 0 (03/04/2014)